November 19, 2003

MEMORANDUM FOR CHIEF INFORMATION OFFICER

FROM: Gordon C. Milbourn III
                          Assistant Inspector General for Audit (Small Business and
                          Corporate Programs)

SUBJECT: Office of Audit Comments Concerning Management's Response
                          to the Audit Report, *Improvements to the Modernized*
                          Infrastructure Are Needed to Support the Deployment of
                          Business Systems Modernization Projects (Audit # 200220047)

In reply to your office's management response to the subject report where you disagreed with one of the report recommendations, we are taking this opportunity to clarify our position on that recommendation.

Recommendation for Which the Internal Revenue Service (IRS) Plans Less Than Complete Corrective Action

Recommendation 1: To improve the critical coordination between Business Systems Modernization (BSM) projects and the Infrastructure Shared Services (ISS) program, we recommended that the CIO require the BSM Office to update the Enterprise Life Cycle (ELC)[1] with the details included in the guidance documents developed by the ISS program and the new processes related to cross-project dependencies (CPD)[2] and third-party software and hardware products.

Management's Response: Your office disagreed with this recommendation, stating that the ELC already provides sufficient guidance on activities to be completed prior to system development that requires adherence to a common infrastructure and the enterprise architecture. Your response stated that expanding the ELC methodology would not improve coordination among the projects or the capture of CPDs. However, the ELC engineering reviews are being strengthened during system design to

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[1] The ELC establishes a set of repeatable processes and a system of reviews, checkpoints, and milestones that reduce the risks of system development. The ELC defines and guides the system development life cycle.

[2] CPDs are work activities or products that one project needs from another project to be able to complete the work detailed in the customer's schedule.

incrementally capture technical and programmatic requirements upfront across the enterprise, including validation of infrastructure implications. These dependencies are captured in the Integrated Master Schedule (IMS).[3] In addition, the Infrastructure Management Office provides training and technical guidance to support the modernization projects in designing to a common infrastructure.

Office of Audit Comment: While we agree that strengthening the engineering reviews would help identify infrastructure requirements and dependencies earlier in the system life cycle, we maintain that the ELC should include, at a minimum, references to the relevant infrastructure guidance to assist the business system project teams in working with the ISS program. Our audit results confirmed that these teams were not clear on the required infrastructure issues that needed to be addressed during system design, and, as a result, additional funding had to be obtained to address these issues. For example, over 55 percent ($49 million) of the unplanned increases to the BSM Expenditure Plan[4] for Fiscal Year 2002 were due to increases in infrastructure costs. ISS program personnel indicated that the BSM project teams did not include all of the necessary infrastructure costs in the original business cases that are used to support the BSM Expenditure Plan.

The ELC defines the processes, products, techniques, roles, responsibilities, policies, procedures, and standards associated with planning, executing, and managing business change. It includes redesign of business processes; transformation of the organization; and development, integration, deployment, and maintenance of the related information technology applications and infrastructure. Coordination between the design and development of the business systems and the infrastructure that supports these systems is critical to the success of the modernization effort, and references to the guidance on this coordination should be included as an integral part of the ELC.

While we still believe our recommendation is appropriate and should be followed, because some action is being taken in this area, we do not intend to elevate our disagreement to the Department of the Treasury for resolution. Consequently, no further action is required.

Please contact me at (202) 622-6510 if you have questions, or your staff may call Margaret E. Begg, Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

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[3] The IMS is a program-level, release-based depiction of all the planned and actual project tasks, deliverables, costs, and schedules from every BSM project, along with status information and CPDs. It also includes the tasks and schedules from IRS organizations that are supplying projects.

[4] The BSM Expenditure Plan (formerly the Information Technology Investment Account) is a special account set up by the Congress to fund the BSM program.